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Wholesale prices.
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DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS - CANADA
INTERNAL TRADE BRANCH

(Issued December 19th, 1930)

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CANADIAN WHOLESALE PRICES, 1930

The Dominion Bureau of Statistics annual index number of wholesale prices for 1930^x was 86.9 as against 95.6 in 1929. It represented a drop of 44.3 percent from the peak year 1920, but still remained 35.8 per cent above the 1913 index of 64.0. No annual average index has been so low since 1916 when the number was 84.3. The current decline in the index was first apparent in September 1929, and in the fifteen month period between that time and November 1930, it has fallen from 98.4 to 79.8, or 18.9 percent. During the 1920-21 recession, the index dropped almost without a break from May 1920 to December 1921, a period of nineteen months. The difference between the peak and trough of the movement then amounted to 41.3 percent.

All of the various commodity groups which are combined to calculate the general index numbers given above, moved appreciably lower in 1930. Vegetable Products fell from 91.6 in 1929 to 78.1, the largest drop registered by any class of commodities. Drastic reductions in prices for grains combined with appreciably lower quotations for sugar, coffee, flour, and rubber were the chief influences upon the course of the index. Animals and Their Products declined from 109.0 to 99.8, due mostly to weaker prices for furs, hides and skins, livestock, meats, and butter. Fibres, Textiles and Textile Products were 81.9 as against 91.3 in 1929. Both raw and finished items of cotton, wool, silk, and rayon were generally lower for the current year. Wood, Wood Products and Paper dropped from 93.9 to 88.8, lumber and timber of nearly all descriptions having been cut in price. Iron and Its Products moved down from 93.7 to 91.2, average quotations being less for rolling mill products and iron and steel billets. Non-Ferrous Metals and Their Products broke from 99.2 to 80.7, due to abrupt reductions in copper and steady declines in lead, tin, zinc, and silver. Non-Metallic Minerals and Their Products changed from 92.9 to 91.3, easier prices for coal, petroleum products, asbestos, and building brick accounting largely for the decline. Chemicals and Allied Products were 92.7 as against 95.1 in 1929, principally because paint materials and tanning and dyeing materials moved downward. Of the 502 items, 324 were lower as the year closed than they had been in January, while 142 remained unchanged, and 36 were higher.

CANADIAN FARM PRODUCT PRICES

The wholesale price index for Canadian Farm Products fell from 100.8 for 1929 to 82.4 for 1930. This same index was 62.6 in 1913 and 161.6 in 1920. Farm product prices have been falling since the beginning of August 1929, and between then and November 1930 (sixteen months) their index has gone down 38.6 percent. As noted above the general index number of wholesale prices in this same period has fallen 18.9 percent, or not quite half as far as Farm Products. Measured in terms of wholesale prices, therefore, Canadian farm purchasing power has been reduced by roughly 20 percent in less than a year and one half. Although both sections of the index registered substantial declines for the year, the drop in Field Products from 93.8 in 1929 to 70.9 in 1930, greatly exceeded that of Animal Products which moved on a higher level and more slowly, from 112.5 to 101.6. Field product prices, therefore, averaged nearly 30 percent lower than in 1926, while animal product prices were still higher by a small margin. Monthly indexes at the end of the year, however, showed the Field Products index to be 52 per cent and the Animal Products index 24.5 percent lower than 1926 averages.

A comparison of average 1926 indexes of 100.0 and November 1930 numbers for items in the Field Products group showed declines of 55.2 percent for grains, 21.2 percent for tobacco, 16.9 percent for hay. Fresh domestic fruits, and turnips, carrots, etc. were 25.6 percent and 25.7 percent higher respectively. A similar comparison of Animal Product sub-groups showed declines of 8 percent for livestock,

x All 1930 average index numbers quoted are estimated and subject to revision.

23.7 percent for hides and skins, 20.6 percent for poultry, and 51 percent for wool. There were also advances of 0.7 percent for milk and 6.2 percent for eggs.

PRICES OF CONSUMERS' AND PRODUCERS' GOODS

The 1930 annual index for Consumers' Goods was 89.5 as compared with 94.7 for 1929, while the corresponding numbers for Producers' Goods were 83.0 for 1930 and 96.3 for 1929. This represents a notable departure in the relative position of these indexes, Producers' Goods having held almost steadily higher than Consumers' Goods between 1927 and 1929. Their positions were reversed at the beginning of 1930, and for the first half of the year declines for the two roughly paralleled each other. In recent months, however, Consumers' Goods have fallen less rapidly, while Producers' Goods have continued to drop very fast. The decline in the former between January and November 1930 was 11 percent, while for the latter it amounted to 22.4 percent.

WHOLESALE PRICES OF CONSUMERS GOODS AND RETAIL PRICES, RENTS, AND COST OF SERVICES

The Bureau's cost of living average index for 1930 was 99.4 as against 100.0 in 1929, and the amount of decline between January and November has been 5.2 percent. The lag between the fall in wholesale prices of consumers' goods and living cost levels, therefore, is apparently about equal to that between wholesale prices of producers' and consumers' goods. With the former having dropped 22.4 percent as against roughly five percent in the case of living costs, it would appear that general purchasing power of primary producers has suffered materially during the year.

The disparity which has grown between the course of wholesale and retail price indexes drew considerable attention during the current year. Although it was evident in earlier years, the sharp drop in 1930 wholesale prices proved necessary to bring this phenomenon into the foreground sufficiently to provoke discussion. All countries have been affected by it to some degree, and it has been especially evident where labour is well organized, or where price-fixing plays a large part in the national economy. The claim has been reasonably made that the failure of finished goods prices to follow those for raw materials more closely, has been hurtful to industry by preventing expansion in demand which ordinarily follows lower retail prices. Producers therefore, have been forced to take less for their goods without any material compensation in the form of increased output and business revival. Retailers have pointed out in self-defence that their distribution costs including rent, transportation, wages, etc. have not changed appreciably, and that raw material prices account for only a fractional part of their selling price. Considerable reductions in raw material prices unaccompanied by lower wages and distributing costs, therefore, were held to justify only very moderate cuts in retail prices. In a study of this problem Professor Bowley, a British statistician of international reputation, has calculated upon the basis of United Kingdom conditions, that a decline in wholesale prices of raw materials with other costs remaining unchanged should produce a natural fall slightly less than one half as large, in retail prices. To put it more concretely, a drop of 20 percent in the wholesale price of raw materials should be followed by a cut of 9.25 percent in the final retail price. With this fact in mind it is interesting to note that the Canadian index of wholesale prices for Producers' Goods (mostly raw materials) has fallen 22.4 percent during the year, while the cost of living index has gone down only 5.2 percent. This comparison is made less favourable to the cost of living index if the total decline of the current movement is made the basis of calculations. The drop in Producers' Goods then becomes 27 percent as against 5.2 percent for living costs because the former have been falling since July 1929, while the cost of living index reached its peak only in January 1930. In 1920 and 1921 the index for Producers' Goods fell 45.8 percent and the living costs index declined 19.7 percent in the first readjustment of price levels. This is not as great a relative decline in retail prices as Professor Bowley's calculations show, partially due to the including of rents in the Canadian cost of living index. It is very much greater than the current decline, however, and in the absence of a marked advance in raw material prices, further reductions in living costs seem probable.

